

December 18, 2009

## **End of Session Review of Federal Finances**

On the last day of the First Session of the 111<sup>th</sup> Congress, the House passed two bills that are indicative of the overall state of federal finances. First, the House passed [legislation](#) to increase the national debt limit by \$290 billion (the fifth such increase since January 2007). This vote was followed soon thereafter by a vote on the Democrats' second "[stimulus](#)" bill of the year, which would add \$150 billion to the nation's debt. Below are some of the highlights of federal finances as the First Session of the 111<sup>th</sup> Congress comes to a close.

**A Record Deficit:** Since the Democrats took control of Congress, the federal deficit has increased from \$162 billion (FY 2007), to \$459 billion (FY 2008), to \$1.42 trillion (FY 2009). This is an increase of \$1.3 trillion or 774.7% in just two years. Last year's deficit was the highest in U.S. history in nominal terms. It beat the previous record—the \$459 billion FY 2008 deficit—by \$958 billion or 208.7%. The FY 2009 deficit was 9.9% of GDP, the highest level since World War II.

**FY 2010 Starts Off Worse Than FY 2009:** In just the first two months of FY 2010, the federal government has run up a deficit of \$292 billion. In only five years in U.S. history (all of them during this decade) has the U.S. run a higher deficit for a *year* than what the FY 2010 deficit equals through just *two months*. The deficit through the first two months of FY 2010 is actually \$11 billion higher than the same period of FY 2009.

**Federal Spending Is Soaring:** In FY 2009, the federal government spent the record amount of \$3.5 trillion. This was an increase of \$532 billion or 17.8% compared to the previous year. FY 2009 federal spending was 24.7% of GDP, which is also the highest level since World War II.

**Climbing Debt Burden:** The national debt exceeds \$12.1 trillion (\$39,500 per U.S. citizen). Since Democrats took over Congress less than three years ago, the national debt has crossed the \$9 trillion, \$10 trillion, \$11 trillion, and \$12 trillion marks.

**Habitual Debt Limit Increases:** In order to accommodate all of this new debt, in less than 3 years, the Democrat-controlled Congress has increased the debt limit five times, from \$8.97 trillion in January 2007 to \$12.39 trillion today—an increase of \$3.4 trillion or 38.2%. Even with the most recent increase, it is expected that the debt limit will have to be increased yet again in the spring.

**Growing Interest Payments Threaten Rest of Federal Budget:** During the current fiscal year, CBO projects interest payments on the debt will amount to \$196 billion (\$536 million per day). According to CBO, if the budget is put on automatic pilot over the next decade, this figure grows to \$722 billion in 2019 (\$2 billion per day).

**Unsustainable Borrowing Outlook:** The public debt increased from 40.8% of GDP to 53.8% of GDP in FY 2009. The Committee for a Responsible Federal Budget projects that it will reach 85% of GDP by 2018, 100% of GDP by 2022, and 200% of GDP by 2038 (the record is 109% of GDP at end of World War II).

*For more information, contact Brad Watson at 6-9719*